

§1710.406(b) should be designed to achieve the applicable operating performance standards within one year of the date of installation of the facilities.

(ii) All activities other than those included in paragraph (c)(1)(i) of this section should be designed to achieve the applicable operating performance targets within the time period contemplated by the analytic support documents for the overall EE Program as approved by RUS.

(2) *Cost effectiveness.* Eligible EE Programs must demonstrate that Cost effectiveness as measured for the program overall will be achieved within ten years of initial funding, except in cases where the useful life of the technology on an aggregate basis can be demonstrated to be longer than the ten year period. RUS will evaluate the useful life assumption on a case-by-case basis.

§ 1710.406 Eligible activities and investments.

(a) *General.* Eligible program activities and investments:

(1) Shall be designed to improve energy efficiency and/or reduce peak demand on the customer side of the meter;

(2) Shall be Cost effective in the aggregate after giving effect to all activities and investments contemplated in the approved EE Program; and

(3) May apply to all Consumer classes.

(b) *Eligible activities and investments.* Eligible program activities and investments may include, but are not limited to, the following:

(1) Energy efficiency and conservation measures where assets financed at an Ultimate Recipient premises can be characterized as an integral part of the real property that would typically transfer with the title under applicable state law. Where applicable, it is anticipated that the loan obligation would also be expected to transfer with ownership of the metered account serving that property.

(2) Renewable Energy Systems, including —

(i) On or Off Grid Renewable energy systems;

(ii) Fuel cells;

(3) Demand side management (DSM) investments including Smart Grid Investments;

(4) Energy audits;

(5) Utility Energy Services Contracts;

(6) Consumer education and outreach programs;

(7) Power factor correction equipment on the Ultimate Recipient side of the meter;

(8) Re-lamping to more energy efficient lighting; and

(9) Fuel Switching as in:

(i) The replacement of existing fuel consuming equipment using a particular fuel with more efficient fuel consuming equipment that uses another fuel but which does not increase direct greenhouse gas emissions; or

(ii) The installation of non-electric fuel consuming equipment to facilitate management of electric system peak loads. Fuel switching to fossil or biomass fueled electric generating equipment is expressly excluded.

(10) Other activities and investments as approved by RUS as part of the EE Program such as, but not limited to, pre-retrofit improvements.

(c) *Intermediary lending.* EE Program loan funds may be used for direct relending to Ultimate Recipients where the requirements of §1710.405(b) are met.

(d) *Performance standards.* Borrowers are required to use Energy Star qualified equipment where applicable or meet or exceed efficiency requirements designated by the Federal Energy Management Program.

§ 1710.407 Business plan.

An Eligible EE Program must have a business plan for implementing the program. The business plan is expected to have a global perspective on the borrower's energy efficiency plan. Therefore, energy efficiency upgrades should be identified in aggregate. The business plan must have the following elements:

(a) *Executive summary.* The executive summary shall capture the overall objectives to be met by the Eligible EE Program and the timeframe in which they are expected to be achieved.